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August 12, 1999

NOTICE OF EX PARTE PRESENTATION

RECEIVED

AUG 12 1999

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas, Esq.
Secretary
Federal Communications Commission
The Portals
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: *In the Matter of Applications for Transfer of Control to SBC Communications Inc. of Licenses and Authorizations Held by Ameritech Corporation , CC Docket No. 98-141*

Dear Ms. Salas:

Please be advised that today, Elizabeth Ham, James Kistner, and the undersigned representing SBC and James Smith, Ameritech had an oral ex parte communication with John Stanley, Daniel Shiman, and Eric Einhorn of the Common Carrier Bureau in connection with the above-referenced matter. The purpose of our discussion was to address staff's questions concerning the attached documents. In addition, we provided staff with an electronic version of the performance measurements data that was filed with the Secretary on July 30, 1999.

In accordance with the Commissions rules concerning ex parte presentations, one copy of this notice is provided. Should you have any questions concerning this matter, please do not hesitate to contact me.

Respectfully submitted,

Martin E. Grambow

Attachment

cc: Mr. Stanley
Mr. Shiman
Mr. Einhorn

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List ABCDE

Tier III Cost Calculations

The accompanying excel worksheet provides a simple picture of how annual penalty amounts could change assuming various levels of performance and market size.

This worksheet is not a simulation in the statistical sense.

The latest data indicates that the FCC has requested 32 performance measures. Depending on the particular state and number of CLECs within the state these 32 performance measures will result in anywhere from 100 to 300 sub-measures. Since penalties are based on sub-measures this is our starting point for the calculations. Figures are provided for 100, 200, and 300 sub-measures.

At parity it is expected that the ILEC would virtually never miss a measurement under Tier III since the probability of a miss is 0.000125. However there is always a residual chance of failure, so even at parity there is a small cost.

State size and level of CLEC activity are reflected in the calculation by varying the average number of observations the ILEC is penalized for when a measurement is out of parity. Calculations are done assuming <u>average</u> number of observations per missed measurement penalized for are 150 (big state/high volume), 100 (medium state/medium volume) and 50 (small state/low volume)

Calculations are done assuming parity, 5%, 10% and 25% failure across the number of measurements.

Failed measurements are allocated to a High, Medium, and Low classification and to 'payable on a per observation' or 'per measure' basis. This is done by counting the number of measures that fall into each of these groups based on the latest FCC list.

Cost values for each observation and each measurement were taken from the Attachment A-4 of the Texas plan.

Final cost estimates or annualized.

Analysis of Expected Cost Impact of FCC Tier 3 Compliance Enforcement Proposal

N	Number of Misses	Annual Cost for Tier II Hi Volumne 150 observations	Annual Cost for Tier II Med Volumne 100 observations	Annual Cost for Tier II Lo Volumne 50 observations
		PARITY		
100	0.0103	$7,271	$5,105	$2,939
200	0.0186	$13,097	$9,195	$5,294
300	0.0273	$19,264	$13,526	$7,788
assume 5% of measures missed non-randomly, remaining misses due to random variation				
100	5.0103	$3,532,271	$2,480,105	$1,427,939
200	10.0186	$7,063,097	$4,959,195	$2,855,294
300	15.0273	$10,594,264	$7,438,526	$4,282,788
ASSUME 10% OF MEASURES MISSED NON-RANDOMLY REMAINING MISSES DUE TO RANDOM VARIATION				
100	10.0103	$7,057,271	$4,955,105	$2,852,939
200	20.0186	$14,113,097	$9,909,195	$5,705,294
300	30.0273	$21,169,264	$14,863,526	$8,557,788
ASSUME 25% OF MEASURES MISSED NON-RANDOMLY REMAINING MISSES DUE TO RANDOM VARIATION				
100	25.0103	$17,632,271	$12,380,105	$7,127,939
200	50.0186	$35,263,097	$24,759,195	$14,255,294
300	75.0273	$52,894,264	$37,138,526	$21,382,788

Values used in estimating cost.

Classification	**Probability**	**Cost**
High/per observation	0.59375	$500
Medium/ per observation	0.15625	$300
Low/ per observation	0.03125	$200
High/per measure	0.00000	$75,000
Medium/per measure	0.18750	$30,000
Low/per measure	0.03125	$20,000
	1.00000	